



Tengasco Pipeline Corporation

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OFFICE OF THE
EXECUTIVE SECRETARY

April 28, 1999

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: *Your letter dated April 23, 1999*

Dear Mr. Waddell:

98-00156

Your letter of April 23, 1999 addressed to Mr. M. E. Ratliff, President of Tengasco Pipeline Corporation ("TPC"), has been referred to me for answer. Accordingly, pursuant thereto, I am providing you with the following:

1. Tengasco Pipeline Corporation owned the pipeline on March 1, 1998. Attached hereto is a copy of the corporate charter.
2. & 3. Financials and checks have been previously provided to the TRA by TPC with its annual report and, in fact, the physical checks are still in the possession of the TRA.
4. Enclosed find a copy of the right-of-way agreement between Tennessee Valley Authority and Tengasco, Inc. and a copy of the subsequent assignment of said agreement to TPC. Also enclosed is a schedule of payments to various individuals who granted rights-of-way across their land to TPC.

If you have any questions, or require further information, please feel free to contact me at the number below.

Very truly yours,

TENGASCO PIPELINE CORPORATION

Robert M. Carter

ASSIGNMENT

This AGREEMENT is entered into this 14th day of February, 1997 between **Tengasco, Inc.** (Tengasco) and **Tengasco Pipeline Corporation** (TPC).

WHEREAS, Tengasco entered into an agreement dated January 31, 1997 with the Tennessee Valley Authority for the use of its transmission rights-of-way and easements owned by the United States of America for the purpose of installing and burying an 8-inch natural gas pipeline from Sneedville, Tennessee to Rogersville, Tennessee; and

WHEREAS, TPC is a Tennessee pipeline corporation and is desirous of building a pipeline along said rights-of-way and easements; and

WHEREAS, Tengasco has and will develop a natural gas field and is desirous of transporting its natural gas from Sneedville, Tennessee to Rogersville, Tennessee,


IT IS, THEREFORE, agreed by and between the parties as follows:

1. That in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, including the transportation of its natural gas, Tengasco hereby assigns its agreement with the Tennessee Valley Authority to TPC *in toto*.


2. A copy of the agreement between the Tennessee Valley Authority and Tengasco, Inc. is attached hereto and marked as Exhibit I to this Assignment.

This is the entire agreement between the parties entered into the day and year first stated above.

TENGASCO, INC.

By: 
Robert M. Carter, President

TENGASCO PIPELINE CORPORATION

By: 
M. E. Ratliff, CEO

AGREEMENT
BETWEEN
TENNESSEE VALLEY AUTHORITY
AND
TENGASCO, INC.

Date: January 31, 1997

TV-98895U

This agreement is made between TENGASCO, Inc. (hereinafter called "TENGASCO") and the Tennessee Valley Authority (hereinafter called "TVA") for TENGASCO to install and bury an 8-inch natural gas pipeline along and within certain transmission line rights-of-way and easements owned by the United States of America and in the custody and control of TVA (hereinafter called "TVA's transmission line rights-of-way") located between Rogersville and Sneedville, Tennessee.

It is agreed that:

1. TVA will provide TENGASCO a copy of TVA's transmission line rights-of-way drawings for the Rogersville-Fitts Gap 69-kV Transmission Line between Structure 3, at station 8+92, and Structure 122, at station 703+07, a distance of approximately 13.15 miles (hereinafter called "the Route"). Upon execution of this agreement, TVA will also provide TENGASCO with information regarding the underlying property owners, from whom TVA's transmission line rights-of-way were acquired, for TENGASCO's use in acquiring such additional rights in the land affected by the Route as may be required to permit TENGASCO to install, maintain, operate, replace, and remove its gas pipeline on the Route.
2. TVA, to the extent it is legally able to do so, subject to the provisions of this agreement and those of the January 31, 1997 letter from B. David Till III, Johnson City Customer Service Center Operations Manager, to James E. Kaiser, CEO, TENGASCO, Inc., which are incorporated into this agreement by reference, and so long as TENGASCO complies with the provisions of this agreement, hereby permits and allows TENGASCO's use of TVA's transmission line rights-of-way associated with the Route, solely for the purpose of installing, maintaining, operating, replacing, and removing TENGASCO's underground natural gas pipeline (hereinafter called "gas pipeline"). Except as provided in Section 16 below, as between TVA and TENGASCO this gas pipeline shall at all times remain the property of TENGASCO. TENGASCO shall, at its expense and in accordance with plans and specifications approved in advance by TVA, provide the equipment and materials and perform all work necessary to install and thereafter maintain its gas pipeline on TVA's transmission line rights-of-way. TENGASCO may modify or replace the gas pipeline so long as the proposed modification or replacement is approved by TVA in advance and imposes no greater impact upon TVA's power system and TVA's transmission line rights-of-way than that of the above-described gas pipeline. TVA's approval will not be unreasonably withheld.
3. It is recognized that the easements and rights-of-way held by TVA in the name of the United States of America for the transmission lines associated with the Route are not broad enough to permit TVA to grant TENGASCO the right to install and bury the gas pipeline without TENGASCO's acquiring the right to do so, and any ancillary rights as may be necessary, from the underlying landowners. Accordingly, TENGASCO shall, at its expense, acquire such additional rights in the land affected by the Route as may be required to permit it to install, maintain, operate, replace, and remove its gas pipeline on the Route. As between the parties hereto and their respective successors and assigns, the rights so acquired by TENGASCO in said land shall be subordinate in all respects to the rights held by TVA in the name of the United States of America, and nothing in this agreement shall be construed as a transfer or abandonment of any of the rights, title, or interest of the United States of America and TVA in and to TVA's transmission line rights-of-way.

EXHIBIT I

4. If construction, excavation, or blasting is to be done in the area of TVA's transmission line rights-of-way, precautions must be taken to protect the transmission line structures and conductors from loss or damage. TENGASCO shall notify TVA at least 24 hours before such work is to occur. TENGASCO and/or its contractor must be aware of the hazard of working near or under energized transmission lines before any work near or under such lines is performed.
5. TENGASCO shall obtain all necessary permits and shall conduct its activities in such a way as to ensure compliance with all applicable laws, regulations, and ordinances, including environmental laws, rules, and ordinances. It shall be TENGASCO's responsibility to conduct such inspections and establish such programs and controls as may be necessary to ensure compliance with the foregoing requirements. TENGASCO shall be responsible for securing environmental compliance by any of its contractors and subcontractors.
6. TENGASCO shall provide TVA with as-built drawings within 90 days of completion of the installation. Such as-built drawings shall include the names of the present underlying fee property owners.
7. TVA shall maintain (or cause to be maintained) TVA's transmission line rights-of-way in the vicinity of the gas pipeline in accordance with its standard practices for as long as TVA maintains its transmission lines in operating condition along the Route. TVA reserves the right to revise its rights-of-way clearing and maintenance procedures from time to time. TVA recognizes the existence of TENGASCO's gas pipeline along the Route and will use its best efforts not to interfere with it while conducting its activities on the rights-of-way. TENGASCO agrees to clearly identify the location of its gas pipeline with marker posts. TVA will not object to TENGASCO's right to clear and keep clear all trees, brush, other vegetation, and debris from TVA's transmission line rights-of-way so long as such clearing does not interfere with TVA's easement rights or the operation of its power system.
8. TVA will patrol (or cause to be patrolled) TVA's transmission line rights-of-way on a periodic basis. TVA will notify TENGASCO with reasonable promptness of any situation, activity, or condition which could potentially adversely affect the gas pipeline. TVA will not object to TENGASCO's use of TVA's transmission line rights-of-way to patrol the gas pipeline, and TENGASCO will notify TVA with reasonable promptness of any situation, activity, or condition which could potentially adversely affect TVA's transmission line rights-of-way or TVA's facilities. Notwithstanding the foregoing, neither party shall be liable to the other for any damage, claim, cause of action, or demand arising out of a failure to recognize or report any situation, activity, or condition which potentially or actually affects the other party's facilities.
9. TENGASCO recognizes the benefits of collocating on TVA's transmission line rights-of-way including, but not limited to, TVA's rights-of-way clearing and patrolling, TVA's rights-of-way use restrictions, a recognized corridor, increased security and reduced risk of accidental pipeline cuts, and TVA's knowledge of and relationship with the property owners. Accordingly, TENGASCO will pay TVA an administrative fee of \$2,000, a use fee of \$5,000 per mile, and a rights-of-way maintenance fee of \$1,500 per mile. Based on an estimated distance of 13.15 miles for the Route, these fees will total \$87,475 (\$2,000 plus \$5,000 times 13.15 miles plus \$1,500 times 13.15 miles). TENGASCO will pay TVA as of the date of this agreement the nonrefundable amount of \$35,000. Unless TENGASCO exercises its right under Section 18 to terminate by February 28, 1997, TENGASCO will pay TVA the balance of the fees, estimated to be \$52,475 (\$87,475 - \$35,000) in twenty annual payments of \$6,165.81 with the first payment due January 31, 1998. Within 30 days after receipt of the as-built drawings (identified in section 6), TVA will adjust TENGASCO's annual payments based on an actual distance for the Route more or less than the estimated distance of 13.15 miles. If TENGASCO makes prepayments (in amounts not less than \$1,000) of its annual payments, TVA will adjust the annual payment amounts based on the value of the prepayments using a 10% time value of money, so TENGASCO pays no additional charge for such prepayments. Examples of such adjustments follow:
- (1) Route distance change - If the as-built drawings showed an actual distance of 12.75 miles (instead of the estimated 13.15 miles) for the Route, the fees would total \$84,875 (\$2,000 plus \$5,000 times 12.75 miles plus \$1,500 times 12.75 miles), and TENGASCO would pay TVA the

balance of the fees, \$49,875 (\$84,875 - \$35,000) in twenty annual payments of \$5,860.31 (instead of the estimated \$6,165.81). [The adjusted annual payment of \$5,860.31 would be based on \$49,875 times 0.1175, the Capital Recovery Factor for discrete compounding with $i = 10\%$.]

(2) Prepayment - Assuming that TENGASCO makes the \$35,000 initial payment and the as-built drawings show an actual distance of 13.15 miles for the Route, TENGASCO would pay twenty annual payments of \$6,165.81. If TENGASCO made this annual payment for three years and prepaid an additional \$10,000 with its third annual payment on January 31, 2000, TVA would adjust the annual payment amounts, so TENGASCO would pay seventeen more annual payments of \$4,920.62. [The adjusted annual payment of \$4,920.62 would be based on \$39,450.66 (the present worth of the remaining payments reduced by the prepayment) times 0.1247, the Capital Recovery Factor for discrete compounding with $i = 10\%$.]

10. (A). The parties recognize that TENGASCO solicited this agreement for its benefit. Accordingly, TENGASCO agrees to reimburse TVA for any damage to TVA's property and to property of the United States of America in TVA's custody and control resulting from the negligence of TENGASCO, and TENGASCO hereby waives, and releases the United States of America, TVA, and their agents and employees from, and shall indemnify, defend, and save harmless the United States of America, TVA, and their agents and employees from any and all claims, demands, or causes of action, including, without limitation, those for personal injuries, property damage, loss of life or property, or consequential damages sustained by TENGASCO, its agents and employees, or third parties, arising out of or in any way connected with (a) the permission provided for under this agreement or (b) the construction, installation, operation, maintenance, use, defect, failure, repair, replacement, modification, revision or removal of TENGASCO's gas pipeline. The foregoing obligations of TENGASCO to indemnify, defend, and save harmless do not apply when the claims, demands, or causes of action arise from the negligence or willful misconduct of the United States of America, TVA, or their agents and employees.

(B). The foregoing obligations of TENGASCO apply to all claims, whether based on the common law or asserted under any Federal, State, or local laws, regulations, or ordinances whatsoever, including, without limitation, any and all claims for recovery of costs for response, removal, or remedial action, fines, or penalties under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and any amendments thereto.

(C). Unless TVA, in its sole discretion, specifically determines otherwise, TVA will represent itself with TVA's own attorneys in all litigation. However, TENGASCO shall bear all reasonable and necessary expenses incurred by TVA, its agents or employees, in defending against the claims, demands, or causes of action covered by the foregoing obligations of TENGASCO and shall pay all judgments that may be rendered against TVA in such actions or enforcement proceedings, provided that TENGASCO is given prompt notice of all such claims, demands, or causes of action and is allowed to actively participate in the defense of all such claims, demands, or causes of action.

11. TVA does not warrant or represent that this agreement grants TENGASCO any rights as against any person, firm, association, corporation, or other legal entity not a party to this agreement or that TVA's transmission line rights-of-way are safe, healthful, or suitable for the purposes for which they are permitted to be used under the terms of this agreement.

12. TENGASCO agrees that it does not and will not claim at any time any interest or estate in any kind or extent whatsoever in TVA's transmission line rights-of-way along the Route by virtue of this agreement or TENGASCO's occupancy and use thereof, except for those rights specifically granted herein.

13. No assignment of this agreement or any interest herein and no sublicense for any purpose shall be made or granted by TENGASCO to any person or entity except a subsidiary or affiliate of TENGASCO without the prior written consent of TVA, which consent shall not be unreasonably withheld or delayed.

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14. No member of or delegate to Congress or Resident Commissioner, or any officer, employee, special Government employee, or agent of TVA shall be admitted to any share or part of this agreement or to any benefit that may arise therefrom unless the agreement be made with a corporation for its general benefit, nor shall TENGASCO offer or give, directly or indirectly, to any officer, employee, special Government employee, or agent of TVA any value, except as provided in 5 C.F.R. part 2635 (as amended, supplemented, or replaced). Breach of this provision shall constitute a material breach of this agreement.

15. This agreement shall become effective as of the date first above written and shall remain in effect for a term of 20 years. TENGASCO may renew this agreement for an additional 20-year term subject to payment, within 30 days prior to the end of the 20-year term of this agreement, to TVA of an additional rights-of-way maintenance fee per mile times the distance of the Route. This maintenance fee for renewal shall be \$1,500 per mile as adjusted in accordance with the annual revisions to the GNP Implicit Price Deflator Index published by the U. S. Department of Commerce (as amended, supplemented, or replaced). (This adjustment is to keep the \$1,500 with constant purchasing power in 2016 compared to 1996.)

16. From the date of this agreement through ^{and MARCH 31,} ~~February 28,~~ 1997, TENGASCO may terminate this agreement by notice to TVA without further obligation. Thereafter, TENGASCO may terminate this agreement upon 30 days' notice of the total or partial deactivation of TENGASCO's facilities and payment of the remaining balance of the annual payments. TVA may terminate this agreement if TENGASCO is in breach of any of its terms (such as failure to make the annual payments set out in Section 9) so long as TVA has notified TENGASCO of the breach and the breach remains uncured for a period of 30 days or longer from the date of TVA's notice of breach. If TVA has the right to terminate this agreement because TENGASCO is in breach by failure to make the annual payments, TENGASCO, at TVA's option, shall promptly transfer to the United States of America and TVA (by an instrument acceptable to counsel for TVA) the gas pipeline and all related easement rights, free and clear of all liens and encumbrances. This agreement is binding upon any successors-in-interest to TVA's transmission line rights-of-way, except that, upon any partial or total transfer of TVA's transmission line rights-of-way TENGASCO agrees to either (a) maintain and patrol the right-of-way itself or (b) negotiate a reasonable fee with TVA's successor-in-interest to do same.

17. Any written notice required or permitted hereunder shall be deemed given when received and shall be sent by registered or certified mail, return receipt requested, or by hand delivery as follows.

TVA:
Operations & Maintenance Manager, TPS
Johnson City Customer Service Center
2107 W. Market Street
CSC 1A-JOT
Johnson City, Tennessee 37604

TENGASCO:
Tengasco, Inc.
Medical Arts Building
603 Main Avenue, Suite 500
Knoxville, Tennessee 37902

In acknowledgment and acceptance of this agreement the parties have caused this agreement to be executed by their duly authorized representatives, as of the date first above written.

TENNESSEE VALLEY AUTHORITY

By: William J. Museler
William J. Museler
Executive Vice President
Transmission Power Supply Group

TENGASCO

By: Robert H. Carter
James E. Kaiser ROBERT H. CARTER
CEO EXEC. VICE PRESIDENT

Tengasco Pipeline Corporation
Rights-of-Way Releases
Hancock and Hawkins Counties

<u>Name</u>	<u>Payment</u>	<u>Date of Pmt.</u>
Bailey, Darrell	500.00	02/25/98
Baker, Joe	200.00	04/06/98
Bay, Joan M.	1,100.00	08/27/98
Belcher, Donald	975.00	01/12/98
Brooks, Marlene	300.00	03/03/98
Brooks, Neal & Helen	1,650.00	03/03/98
Christian, James	500.00	11/04/97
Cloud, John	400.00	12/02/98
Collins, Ron & Mary Jane	2,022.00	12/29/97
Courtney, Roy E. & Linda	300.00	09/15/98
Drinnon, Taylor	1,595.00	12/22/98
Durham, Eric	400.00	02/26/99
Fugate, Ely & Carr, Johnny	400.00	07/10/97
Gibson, Patsy & Elmer	1,100.00	12/13/97
Greene, A. B.	2,000.00	11/21/97
Lamb, Larry	150.00	06/17/97
Langord, Letitia	200.00	11/11/98
Lawson, Grover & Argle	1,449.00	03/27/98
Lawson, Renn	5,641.06	12/21/98
Lawson, Renn, Jr.	1,850.00	12/21/98
Lawson, Richard	625.00	04/09/98
Lee, J. A.	450.00	10/28/98
Mitchell, Tobe	800.00	02/25/98
Mowell, James Dallas	1,100.00	09/03/98
Nash, Harry & Elizabeth	1,225.00	04/20/98
Pleasure Hills Farms	1,500.00	12/18/98
Seal, Elvin & Ruth	400.00	01/07/97
Shanks, Ralph & Etta	1,650.00	02/15/99
Stapleton, Ginger	566.50	04/22/98
Starnes, Gary & Donna, Louis & Emily	3,100.00	02/04/99
Steeplechase Crossing, Inc.	2,000.00	12/02/97
Sugartree Subdivision	2,210.00	11/13/98
Trent, Tony	1,500.00	03/15/99
Trigg, Darrell	500.00	11/11/97
Wilder, Milton & Iola	1,634.90	02/23/99
Woelke, Philip & Lora	450.00	05/11/98

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FILED

CHARTER

OF

TENGASCO PIPELINE CORPORATION

05 JUL -2 0110:06

WILEY DARNELL
SECRETARY OF STATE

The undersigned person under the Tennessee Business Corporation Act adopts the following charter for the above listed corporation:

1. The name of the corporation is **Tengasco Pipeline Corporation**.
2. The number of shares of stock the corporation is authorized to issue is Fifty Thousand (50,000) shares, no par value having unlimited voting rights and entitling the owners of duly issued shares to receive the net assets of the corporation upon dissolution.
3. (a) The complete address of the corporation's initial registered office in Tennessee is 603 Main Avenue, Suite 500, Knoxville, Tennessee 37902.

(b) The name of the initial registered agent, to be located at the address listed in 3(a), is Ted P. Scallan.
4. The name and complete address of the incorporator is C. A. Ridge, Jr., P. O. Box 1527, Knoxville, Tennessee 37901.
5. The complete address of the corporation's principal office is 603 Main Avenue, Suite 500, Knoxville, Tennessee 37902.
6. The corporation is for profit.
7. The corporation is authorized to transact all lawful business for which corporations may be organized under the General Corporation Act of the State of Tennessee and is specifically authorized to operate as a Tennessee Pipeline Corporation pursuant to the provisions of T.C.A. § 65-28-101, et seq. relating to gas pipeline corporations in Tennessee.
8. To the full extent from time to time permitted by law, no director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. No amendment to this Charter, modifying or deleting or inconsistent with the provisions of this paragraph 8 shall apply to or affect the liability of any